

■ Critical Issues

- We want to realize a large procurement cost reduction through promoting overseas procurement
- We want to increase the proportion of local procurement at our overseas production sites

Increasing the necessity to reduce costs, the importance of strategic allocation of domestic and overseas procurement is growing. Further, to show good results through establishing overseas factories, it will be necessary to increase the local procurement rates.

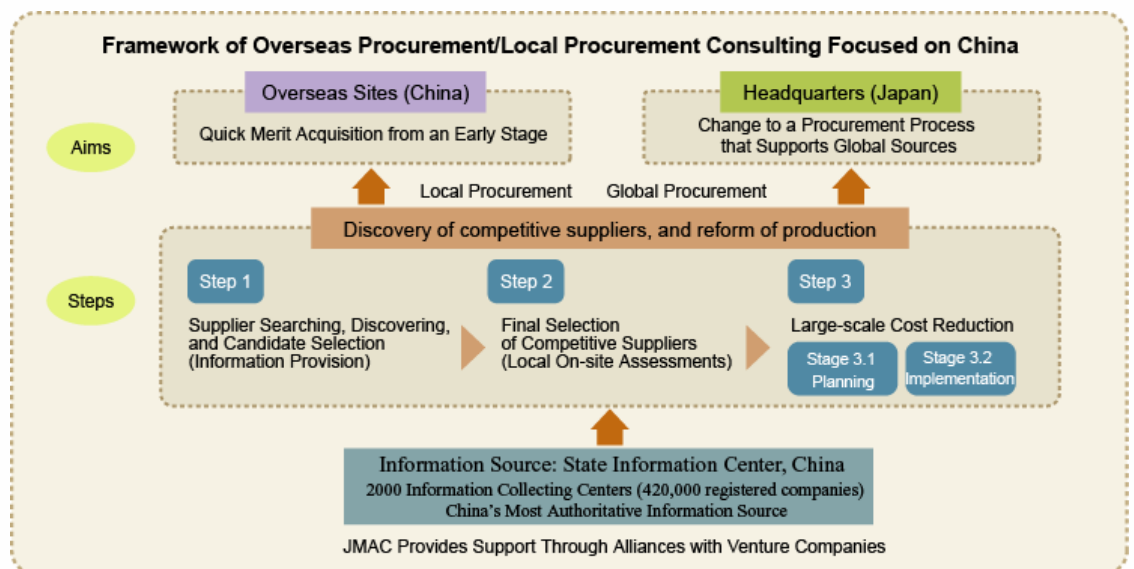
To achieve speedy results in overseas procurement/local procurement, it is important to increase information sources regarding overseas suppliers and to standardize information searching and candidate company selection procedures.

■ JMAC Concept

- JMAC concept of overseas procurement/local procurement promotion program focused on China

In the first stage of overseas procurement process building, it is important to develop a speedy standardized process limited to model products. Then, the target products and areas are expanded for rollout of large-scale cost reductions.

Through its tie-ups with overseas information providers, JMAC provides local suppliers' information mainly in China, and standardizes the overseas procurement/local procurement process for each client.





■ JMAC Features

■ Step 1: Supplier Searching, Discovering, and Candidate Selection

- Based on experience and technology acquired supporting the promotion of large cost reductions such as by increasing overseas procurement, JMAC supports the clarification of the necessary QCD requirements of the target products for overseas procurement.
- JMAC provides local suppliers' information utilizing tie-ups with local venture companies which are information sources of the State Information Center, China.
- JMAC supports the evaluation of the collected suppliers' information based on the procurement requirements, together with the selection of candidate suppliers.

■ Step 2: Final Selection of Competitive Suppliers by Local On-site Assessments

- JMAC supports the setting of technical capability evaluation standards according to the required characteristics of the procured products.
 - JMAC participates in local investigations regarding the QCD requirements for the candidate suppliers selected in Step 1, and supports the final supplier selection.
- Further, for promising suppliers, JMAC provides on-site guidance to make further improvements if required.

■ Step 3: Large-scale Cost Reduction

- Using the model products, the steps and evaluation standards designed in Steps 1 and 2 are standardized, and critical issues are arranged to speed up the innovation process.
- The target products and areas are expanded to promote overseas procurement/local procurement.

■ Results

■ Electric equipment company T

- Background: Profit structure strengthening
- Aims: Purchasing cost reductions and overseas procurement ratio increase
- Organization: Head office and overseas production sites purchasing divisions
 - ✓ Procurement reduction of 20% over 3 years for current products
 - ✓ Overseas procurement ratio doubled (10% to 20%)
 - ✓ Standardization of overseas procurement process

■ Automobile parts (functional products) company B (Production bases in Japan, U.S., Europe, South Asia, and various countries in Southeast Asia)

- Background: Product cost competitiveness strengthening
- Aims: Global supply chain strengthening
- Organization: Head office purchasing division
 - ✓ Procurement cost reduction 11% annually
 - ✓ Building of sourcing DB
 - ✓ Building of structural education system and global buyer training